

**Asian Markets Alpha Programme
Monthly Report**

December 2007

PERFORMANCE ANALYSIS (All Accounts)	
The Asian Markets Alpha Programme (February 2006 to December 2007)	
<u>Return Summary</u>	
Latest Month	(0.40%)
Year to Date	28.35%
Last 12 Months	28.35%
Annualised Return	20.95%
Sharpe Ratio	2.30*
Return to Date	41.69%
% Trading Days Up	55%
% Trading Days Down	45%
Maximum Daily Drawdown	(1.95%)
Largest Monthly Drawdown	(1.84%)
CS Character	2.80
CS Ratio	2.85
Annualised Daily Volatility	10.70%
Annualised Monthly Volatility	7.08%
*Risk Free rate used is 2.5% consistent with Barclays Index	
<u>Return Statistics for December 2007</u>	
Latest Month	(0.40%)
Largest Daily Drawdown	(0.56%)
Days to Recovery	Not Recovered
% Trading Days Up	53%
% Trading Days Down	47%
Average Up Day	0.24%
Average Down Day	(0.30%)

The strategy ended the month with a small loss, losing 0.40% in thin illiquid markets and finished the year up 28.35% overall. The strategy continues to have a zero allocation to the Fundamental portfolio as our Global Volatility indicator remains high, and liquidity remains poor. We expect allocations to the Fundamental portfolio to be triggered early this month.

December began well, with the strategy up nearly 0.5%, but the U.S dollar's recovery as the month unfolded prompted over a 2% swing against us. The markets backed up into the middle of the current ranges with the low point of the month seeing the strategy down 1.55% on Christmas Eve. Towards the end of the month some of these moves reversed, and we closed the month down 0.40%.

The worst performing trade was our long Korean Won position which saw the Won weaken from the 920 area, to a low of 947 during the month as position squaring dominated. Currently our biggest position is long Singapore dollars, followed by long Malaysian Ringitt, long Korean Won and long Indonesian Rupiah. We remain short Australian Dollars and Philippine Pesos.

Our modified Risk-Adjusted Return measures declined through the month, and as a result we reduced risk during December. Our tail risk however, as measured by our CS Character, declined slightly to 2.80 slightly offsetting this. We expect January to see a reduction in risk aversion and, given that, we expect to re-establish positions that we removed in December as the month progresses. Our seven day rolling volatility indicators are declining and we expect portfolio risk to be increased during the month.

At present many currency pairs have moved into the middle of their medium term ranges, and we have seen a reduction in trade signals as a result. This could well continue in the short term. The largest daily drawdown was 0.56% on the 12th of December and at that point the strategy was up 0.39% on the month, a high water mark that has not been seen again as the second half of the month saw some losses in choppy markets.

News was similarly thin. The main event was the assassination of Benazir Bhutto after Christmas which did not help sentiment in the region, and the situation in Pakistan remains fluid. We continue to be long the Indian Rupee, but are monitoring developments closely.

Cambridge Strategy Asian Markets Alpha Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	10.43%		1.12%	0.93%	2.68%	-1.84%	0.45%	1.69%	0.39%	-0.43%	2.15%	0.12%	2.8%
2007	28.35%	0.41%	-0.37%	1.41%	2.58%	1.41%	1.35%	0.35%	3.79%	8.25%	3.11%	3.64%	-0.40%

Performance figures calculated include only margin interest received and are net of fees.

The returns are representative of an average of the managed accounts traded.

Risk Warning:

This brief statement does not disclose all of the risks and other significant aspects of trading in currencies and options. The Cambridge Strategy (Investment Management) Limited manages for and advises to professional investors only. Investors must bear in mind that this type of investment can be volatile, values can decrease as well as increase and that past performance is no guarantee of future performance.

AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY